

# Asset Utilization Guide

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## ASSET UTILIZATION

The **Asset Utilization** program is a **feature** of the **Expanded Access** program. The Matrix and ARM Criteria provided within this Guide fall under the **EA Plus** component of the **Expanded Access** program.

- An **Asset Utilization** loan must be locked in OB under the **EA Plus** (not EA Core) **Expanded Access** program.
- If you choose to lock a loan in OB under the **Asset Utilization** feature of the **EA Plus** component of the **Expanded Access** program, OB is not able to recognize the **Asset Utilization** feature. Subsequently, you must follow the FICO/LTV parameters of the Matrix featured within this Guide before locking in a loan.
- Unless otherwise specified in this Asset Utilization Summary Guide, follow GMFS Traditional Jumbo Guidelines, regardless of loan amount
- Same fees as Jumbo; regardless of loan amount

### Pricing Asset Utilization loans in OB:

- AUS = Manual Underwriting
- Loan Type = Non-Conforming; regardless of loan amount
- No Fee and Lender Paid Options are not available; regardless of loan amount
- Longer lock periods recommended
- Must be locked under **Expanded Access/EA Plus** program
- Eligible Product Types:
  - Expanded Access Plus – 30 yr (EAP30)
  - Expanded Access Plus – 7/1 ARM (CAP71)

Note: If you receive an EA Plus or EA Core finding in OB that allows for a higher LTV/lower FICO score than what is featured in the Matrix of this Guide, you can offer under the same guidelines as the Traditional Jumbo. The program may have a higher LTV/lower FICO score as long as you are not using the Asset Utilization feature.

### Products Available

30 Year Fixed and 7/1 ARM

### ADJUSTABLE RATE CRITERIA

| Product  | Index        | Margin | Initial | Periodic | Ceiling | Min Interest Rate Floor |
|--|--------------|--------|---------|----------|---------|-------------------------|
| 7/1 ARM  | 1 year LIBOR | 3.50%  | 5%      | 2%       | 5%      | Margin                  |
| Qualifying Rate for 7/1 Arm is based on the greater of the Note Rate or the fully indexed rate |              |        |         |          |         |                         |

## GENERAL GUIDELINES AND INCOME CALCULATION

- The utilization of financial assets will be considered as borrower income to qualify for their monthly payments. The unrestricted liquid assets can be comprised of stocks/bonds/mutual funds, vested amount of retirement accounts and bank accounts
- If the assets or a portion of the assets are being used for down payment or costs to close, those assets should be excluded from the balance before analyzing a portfolio for income qualification. The monthly income calculation is as follows: Net documented assets (80% of the remaining value of stocks/bonds, 70% for all retirement assets) and utilization draw schedule of 10 years
- Gifts are not permitted
- Cash-Out and Debt Consolidation not permitted
- Non-Owner Occupied is not eligible
- Borrowers must have a minimum of the lesser of (i) 1.25 times the loan balance or (ii) \$1mm in qualified assets, either of which must be net of down payment and closing costs to qualify
- Minimum FICO Score of 700 for 80% maximum LTV - 680 for 75% maximum LTV
- Reserves not required
- Assets used for qualifying must be seasoned 6 months unless pre-approved by GMFS
- Asset utilization will be qualified under the full doc program matrix/pricing
- **Minimum priced loans are \$300,000 for primary residences and 2nd homes**
- **Max DTI is 43%**
- **Max LTV is 80%**
- **Asset Utilization cannot be used in combination with wage or self-employed income**

## LTV MATRIX

| Property Type     | Occupancy       | Purpose                    | Loan Amount | FICO | LTV/CTLV(1) |
|-------------------|-----------------|----------------------------|-------------|------|-------------|
| SFR, PUD, 2- Unit | PRIMARY         | PURCHASE/RATE<br>TERM REFI | \$1,500,000 | 700  | 80          |
|                   |                 |                            | \$2,000,000 | 680  | 75          |
|                   |                 |                            | \$2,500,000 | 700  | 75          |
| SFR, PUD          | SECOND HOME (2) | PURCHASE/RATE<br>TERM REFI | \$1,000,000 | 700  | 80          |
|                   |                 |                            | \$1,000,000 | 680  | 70          |
|                   |                 |                            | \$2,000,000 | 700  | 70          |

- 1) A 5% reduction in LTV for Declining Markets
- 2) Rural Properties Not permitted on Second Homes

## GMFS CREDIT GRADE DESIGNATION

- GMFS defines housing events per property (including 1st & 2nd) as foreclosure, short sale, deed in lieu or default modification. \* Bankruptcy ("BK") is not considered a housing event and is permitted in combination with a housing event
- No Housing Event or Bankruptcy within 4 years of note date allowed
- 0x30 Housing and Mortgage History in the last 12 months
- Events include all occupancy types – Primary, 2nd Home & Investment Properties
- Seasoning look back is from the date of discharge or property resolution (completion date), as of the note date
- Foreclosures included in bankruptcy permitted based on BK discharge date if the borrower has vacated the property
- Multiple bankruptcy filings ineligible

- If a prior housing event or BK exists, all mortgages must be paid as agreed since the end date of the event or BK

## BORROWERS

### ELIGIBLE BORROWERS

- U.S. Citizens
- Permanent Resident Aliens
- Non-Permanent Resident Aliens
- First Time Home Buyers

### PERMANENT RESIDENT ALIEN:

Permanent Resident Aliens are individuals who permanently reside in the United States  
A legible front and back copy of the borrower(s) valid Green Card.

### NON-PERMANENT RESIDENT ALIENS:

Non-Permanent Resident Aliens must meet the following requirements:

- Must have an unexpired passport from their country of citizenship containing INS form I-94 (or equivalent) which must be stamped Employment Authorized
- An Employment Authorization Card along with a copy of the Petition for Non-Immigrant Worker form I-140 (or equivalent) in file
- The borrower(s) must have a minimum of 2 years residency, with the likelihood of employment continuance.
- Primary Residence only
- Valid visas are required. Visa must have a minimum remaining duration of 1 year
- Borrowers with diplomatic immunity are ineligible
- 75% LTV/CLTV Maximum
- Single unit only

### FIRST TIME HOMEBUYER

First Time Homebuyers (FTHB) are individuals that have not owned a home or had a residential mortgage in the last 3 years will be restricted to the following:

- 12 month 0 X 30 housing history required
- Minimum FICO 700
- Primary Residence Only
- Minimum of 6 months PITI reserves required
- Maximum LTV/CLTV o 75% for FICO < 700
- 80% for FICO >=700,

**However, if at least 1 borrower has ever owned a home or had a prior mortgage history, these requirements are waived.**

### INELIGIBLE BORROWERS

- Foreign Nationals, Trusts

## OCCUPANCY

### ELIGIBLE OCCUPANCY:

- Primary Residence
- Second Homes

### PRIMARY RESIDENCE:

- A primary residence is a property that the borrower(s) intend to occupy (within 60 days) as his or her principal residence
- Characteristics that may indicate that a property is used as a borrower's primary residence include:
  - Is occupied by the borrower for the major portion of the year
  - Is in a location relatively convenient to the borrower's principal place of employment
  - Is the address of record for such activities as federal income tax reporting, voter registration, occupational licensing, and similar functions
- A borrower may not own an additional single family residence of equal or greater value than the subject property.

### SECOND HOMES:

- A property is considered a second home when it meets all of the following requirements:
  - Must be located a reasonable distance away from the borrower(s) principal residence
  - Must be occupied by the borrower(s) for some portion of the year
  - Is restricted to a one-unit dwelling
  - Must be suitable for year-round occupancy
  - The borrower(s) must have exclusive control over the property
  - Rural properties not permitted

## TRANSACTION TYPES

### ELIGIBLE TRANSACTIONS

- Purchase
- Rate/Term Refinance

### PURCHASE

- No property flipping, prior owners must have owned the property more than 6 months unless submitted to the GMFS Scenario desk for approval. (Bank owned REO are eligible and not considered a flip transaction)
- Maximum Interested Party Contributions permitted up to 3% for LTV  $\geq 80$ , 6% for LTV  $< 80$

### RATE/TERM REFINANCE

- A Rate/Term Refinance transaction is when the new loan amount is limited to the payoff of the present first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepaids, or a court ordered buyout settlement
- A seasoned non-first lien mortgage is a purchase money mortgage or a closed end or HELOC mortgage that has been in place for more than 12 months (and/or not having any draws greater than \$2,000 in the past 12 months for HELOC's. Withdrawal activity must be documented with a transaction history from the HELOC)
- Limited cash to the borrower must not be greater than 1% of the principal amount of the new mortgage to be considered a Rate/Term refinance
- If the property is owned less than 6 months at the time of application, the LTV/CLTV will be based on the lesser of the original purchase price plus improvements or current appraised value. The prior HUD-1 will be required for proof of purchase price. Proof of improvements is required o There is no waiting period if the lender documents that the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership). If the borrower acquired the property at any time as a gift, award, inheritance or other non-purchase transaction, the LTV will be based on the current appraised value. The lender must obtain appropriate documentation to verify the acquisition and transfer of ownership
- Follow FNMA for Delayed Financing guidelines
- Properties that have been listed for sale within the past 6 months from the loan application date are not eligible
- The rate/term refinance of a construction loan is eligible with the following conditions: o If the lot was acquired 12 or more months before applying for the subject loan, the LTV/CLTV/HCLTV is based on the current appraised value of the property
- If the lot was acquired less than 12 months before applying for the construction financing, the LTV/CLTV/HCLTV is based on the lesser of (i) the current appraised value of the property

### INELIGIBLE TRANSACTIONS

- Construction Loans
- Texas Equity Loans
- Non Arm's length
- Temporary Buydowns
- Builder Bailout
- Conversion Loans
- Lease Options/Rent-to-Own unless preapproved by the GMFS Scenario Desk.

## CREDIT ELIGIBILITY

### CREDIT REPORT DETAIL

- A tri-merged in file credit report from all three repositories is required
- Credit Report is good for 120 days from application to closing
- A written explanation for all inquiries within 120 days of application is required disclosing no new debt
- Alternate confirmation that there is no new debt may include a new credit report, pre-close credit score soft-pull or gap report o DTI should be recalculated based on any new debt
- Rapid rescore of credit only permitted for confirmation of pay down and/or payoff of debt

### HOUSING HISTORY

- 12 months housing history is required. See applicable GMFS Credit Grades for requirements
- Rental history evidenced by 12 months proof of payment via cancelled checks or bank debits
- A LOE is required when a 12 month housing history is not applicable
- Rent free letters from spouses are not permitted. Housing history is required

### CREDIT SCORES

Each borrower's 'Credit Score' is the middle of three or the lesser of two. You must use the lowest middle score of all borrowers on the loan

### CREDIT REPORT REQUIREMENTS

- Each Borrower's credit profile must include a minimum of 2 trade lines within the last 24 months that show a 12 month history, or a combined credit profile between borrower and co-borrower with a minimum of 3 tradelines.
- Tradeline activity is not required. Eligible tradelines cannot have any derogatory history in previous 24 months
- Current housing not reporting on credit can be considered an open trade if supported by bank records (cancelled checks/debits)
- Prior bankruptcies are permitted including Chapters 7, 11, & 13. See GMFS Credit Grades for seasoning requirements
- Prior Foreclosure, Short Sales, Deed-in-Lieu and Modifications (due to default) are permitted
- Borrowers currently enrolled in credit counseling or debt management plans are not permitted
- All derogatory accounts require a full explanation
- All Judgments or liens affecting title must be paid
- Non-title charge-offs and collections within 3 years and exceeding \$3,000 (individually or aggregate) must be paid
- Medical collections are not required to be paid
- All past due accounts must be brought current prior to closing
- No authorized user accounts will be used to satisfy minimum tradeline
- Medical derogatory accounts, collections, and charge-offs permitted with letter of explanation
- Disputed accounts require a LOE per Fannie Mae. An updated credit report not required
- IRS tax payment plans are permitted if current and do not carry a lien on any property
- All borrowers must be current on mortgage or rent at loan application
- All derogatory accounts require a full explanation for any applicable extenuating circumstance
- Housing history (primary residence) evidenced by Institutional VOM or 12 months proof of payment
- Rental history evidenced by 12 months proof of payment via cancelled checks or bank statement debits

## MISCELLANEOUS

### CONTINUITY OF OBLIGATION

- Continuity of obligation occurs on a refinance transaction when at least one of the borrower(s) (or members of the LLC) on the existing mortgage is also a borrower/member on the new refinance transaction secured by the subject property. When an existing Mortgage will be satisfied as a result of a refinance transaction, the following requirements must be met:
- At least one borrower on the refinance mortgage held title to for the most recent 6 month period and the mortgage file contains documentation evidencing that the borrower has been making timely mortgage payments, including the payments for any secondary financing, for the most recent 6-month period
- At least one Borrower on the refinance Mortgage inherited or was legally awarded the Mortgaged Premises by a court in the case of divorce, separation or dissolution of a domestic partnership

### SUBORDINATE FINANCING

- New subordinate financing (institutional) allowed for purchase transactions only
- Primary residences only
- If a HELOC is present the CLTV must be calculated by dividing the sum of the original loan amount of the first mortgage, the amount of the HELOC (whether or not there have been any draws), and the unpaid principal balance of all other subordinate financing by the lower of the property's sales price or appraised value.
- All subordinate loan obligations must be considered, verified, and taken into account when calculating the Borrower's DTI
- If the subordinate financing is a HELOC secured by the subject property, monthly payments equal to the minimum payment required under the HELOC terms considering all draws made on or before closing of the subject transaction
- For closed-end fixed rate, fully amortizing simultaneous loans, the qualifying payment is the monthly payment
- Existing subordination is permitted on refinances